

INTERNATIONAL SHOE Co.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

FINANCIAL STATEMENT

November 30, 1938

BOARDS

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INTERNATIONAL SHOE Co.

MANUFACTURERS

1501-1509 Washington Avenue

St. Louis, Mo.

FINANCIAL STATEMENT

November 30, 1938

December 31, 1938.

TO OUR STOCKHOLDERS:

Financial report showing the results of the International Shoe Company's operation for the fiscal year ended November 30, 1938, is submitted herewith.

Net sales to customers were \$80,828,631.50 compared with \$88,278,810.29 last year. Exclusive of canvas rubber soled shoes our factories produced 39,137,274 pairs of shoes, against 44,480,224 pairs last year.

Subsidiary plants (sole leather and upper leather tanneries, textile mill, factories making all leather counters, heels and soles, rubber heels and soles, welting, box toes, cartons, containers, chemicals, cements, etc.) produced during 1938 shoe materials and shoe supplies amounting to \$36,488,496.11, which, combined with our sales, made an aggregate of \$117,317,127.61 business transacted.

Net earnings, after taxes, for the year were \$4,268,286.36 which represents an earning of \$1.27 a share on the Common Stock. This compares with \$6,266,992.00 or \$1.87 a share last year.

The Company's current assets of \$61,098,948.81 are 16 times its current liabilities of \$3,836,635.84, which include a reserve for income taxes of \$1,010,000.00. No undistributed profits tax is payable.

The decrease in net sales is due principally to lower prices for shoes in this year as compared with last year. The number of pairs of shoes shipped to customers was only slightly less than in the previous year.

The decrease in production is accounted for by a substantial reduction in inventory of finished merchandise during 1938 as contrasted with an increase in inventory of finished merchandise during 1937.

The radical decline in business which started in the latter part of 1937 continued through the first half of this year as reflected in our statement of May 31, 1938.

While there was general improvement in business during the latter half of the year, the Company's sales received an extra stimulant from its maintenance of attractive prices on an advancing market. This resulted in a substantial increase in the number of pairs of shoes sold for the period as compared with the latter half of 1937.

Our December general sales conference has just closed. The new lines and prices given to our salesmen for spring were received with enthusiasm by them; for they anticipate active and increased business when they re-enter their territories after January 1st.

Since the organization of the International Shoe Company one of its principal assets has been the faithfulness and loyalty of its employees. While this is intangible and cannot be measured by material standards, it is of incalculable value and is highly appreciated.

Because of the efficient and co-operative work of our organization, we enter 1939 with renewed confidence in the Company's continued success.

Respectfully submitted,

INTERNATIONAL SHOE COMPANY

Frank C. Rand.

Chairman of the Board.

W. H. Moulton.

President.

INTERNATIONAL

CONSOLIDATED

As at November 30, 1925

ASSETS

CURRENT ASSETS:

Cash in Banks and on Hand.....	\$ 23,210,707.12	
Accounts Receivable:		
Customers, less Reserve for Cash Discounts and Doubtful Accounts.....	\$ 14,643,514.79	
Salesmen's Traveling Advances and Sundry Accounts.....	107,775.76	14,751,290.55
Inventories at lower of Cost or Market:		
Manufactured Merchandise.....	7,345,692.66	
Raw Materials, Merchandise in Process, and Supplies.....	15,791,258.48	23,136,951.14
TOTAL CURRENT ASSETS.....		61,098,948.81
Expenses Paid in Advance—Insurance Premiums, Taxes, and other Deferred Charges to Operations.....		376,196.09
Employees Notes Receivable (Under Installment Plans for purchase of Common Stock) secured by 2,300 shares of Common Stock.....		42,703.34
Company's Own Common Stock—9,700 shares at Net Cost (Market Value \$310,400.00).....		248,175.51
Advances to (\$1,000,000.00) and Investment in Associated Companies.....		1,061,500.00
Investment in Stocks and Bonds of other Companies, Etc. (less Reserve).....		189,032.07
Physical Properties at Tanneries, Shoe Factories, Supply Departments, and Sales Branches (Based on Appraisal as of April 30, 1925, plus subsequent Additions at Cost):		
Land and Water Rights.....	\$ 2,033,542.90	
Buildings and Structures.....	22,880,053.02	
Machinery and Equipment.....	17,955,877.95	
Lasts, Patterns, and Dies.....	1.00	
TOTAL.....	42,869,474.87	
Less—Reserve for Depreciation.....	24,104,897.89	
Net Depreciated Value of Physical Properties....		18,764,576.98
TOTAL.....		\$ 81,781,132.80

SHOE COMPANY

BALANCE SHEET

October 30, 1938

LIABILITIES

CURRENT LIABILITIES:

Accounts Payable for Merchandise, Expenses, and Payrolls.....	\$ 2,730,717.14
Officers, Stockholders, and Employees Balances.....	95,918.70
Reserve for Federal Income Taxes.....	1,010,000.00
TOTAL CURRENT LIABILITIES.....	3,836,635.84
Reserve for Market Decline in Purchase Commitments.....	64,019.18
Insurance Reserves.....	685,243.93

CAPITAL STOCK:

Preferred Stock 6% Cumulative—Authorized 250,000 shares of \$100.00 each— Outstanding.....	None
Common Stock — Authorized 4,000,000 shares without Nominal or Par Value, whereof Issued and Outstanding — 3,350,000 shares.....	\$ 50,250,000.00
Earned Surplus..... (Of the Earned Surplus \$248,175.51 used for the purchase of Company's Own Capital Stock as per Contra)	26,945,233.85
TOTAL CAPITAL AND SURPLUS.....	\$ 77,195,233.85

TOTAL..... \$ 81,781,132.80

INTERNATIONAL SHOE COMPANY

CONSOLIDATED INCOME ACCOUNT

For the year ended November 30, 1938

Net Sales of Shoes and Other Manufactured Merchandise	\$ 80,828,631.50	
Cost of Shoes and Merchandise Sold, after charging Operating Expenses, Maintenance of Physical Properties, Selling, Administrative, and Warehouse Expenses, and Credit Losses, less Discount on Purchases.....	\$ 74,405,840.43	
Depreciation of Physical Properties.....	1,632,550.39	76,038,390.82
NET OPERATING PROFIT.....		4,790,240.68
Miscellaneous Income.....		100,521.36
NET EARNINGS.....		4,890,762.04
Provision for Income Taxes.....		622,475.68
NET INCOME FOR YEAR.....	\$	<u>4,268,286.36</u>

COMMON STOCK CAPITAL AND CONSOLIDATED SURPLUS ACCOUNT

Common Stock Capital and Surplus, as at November 30, 1937:

Common Stock Capital (Outstanding 3,350,000 shares).....	\$ 50,250,000.00	
Earned Surplus.....	28,522,472.49	
		78,772,472.49
Net Income, for the year ended November 30, 1938.....	4,268,286.36	
		83,040,758.85
Dividends:		
Common Stock, \$1.75 per share.....	\$ 5,862,500.00	
Less—Dividends on Company's Own Common Stock.....	16,975.00	5,845,525.00
Common Stock Capital and Surplus, as at November 30, 1938....		77,195,233.85

Divided as follows:

Common Stock Capital (Outstanding 3,350,000 shares).....	50,250,000.00	
Earned Surplus.....	26,945,233.85	\$ 77,195,233.85

INTERNATIONAL SHOE COMPANY,
St. Louis, Missouri.

We have made an examination of the Consolidated Balance Sheet of the International Shoe Company and Subsidiary Companies as at November 30, 1938 and of the Consolidated Income and Surplus Accounts for the year ended on that date. In connection therewith, we examined or tested accounting records of the Companies and other supporting evidence and obtained information and explanations from officers and employees of the Companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon such examination, the accompanying Consolidated Balance Sheet and related Consolidated Income and Surplus Accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the Companies during the year under review, their consolidated position at November 30, 1938 and the results of their operations for the year.

St. Louis, Missouri,
December 24, 1938.

PEAT, MARWICK MITCHELL & CO.

OFFICERS

FRANK C. RAND . . .	Chairman of the Board
WILLIAM H. MOULTON . .	President
HORTON WATKINS . . .	Vice-President
JAMES T. PETTUS . . .	Vice-President
PAUL B. JAMISON . . .	Vice-President
OLIVER F. PETERS . . .	Vice-President
H. EDGAR JENKINS . . .	Vice-President
C. D. P. HAMILTON . . .	Vice-President
ANDREW W. JOHNSON . .	Vice-President and Treasurer
BYRON A. GRAY . . .	Vice-President and Secretary
WILLIAM N. SITTON . . .	Assistant Treasurer
ALBERT H. JENKINS . . .	Assistant Secretary
ROBERT O. MONNIG . . .	Auditor

DIRECTORS

ROBERT E. BLAKE	J. LEE JOHNSON
SAMUEL BOWN	H. EUGENE JONES
CLARENCE H. FIELDER	ROBERT L. JORDAN
ARTHUR B. FLETCHER	WILLIAM H. MOULTON
BYRON A. GRAY	OLIVER F. PETERS
H. ROY GREEN	JAMES T. PETTUS
EDWARD J. HOPKINS	JAMES E. QUINN
FRED HUME	FRANK C. RAND
LEWIS B. JACKSON	JOSEPH O. RAND
PAUL B. JAMISON	WILLIAM N. SITTON
H. EDGAR JENKINS	DICKSON S. STAUFFER
ANDREW W. JOHNSON	HORTON WATKINS

TRANSFER AGENTS

MANUFACTURERS TRUST Co., NEW YORK, N. Y.
MISSISSIPPI VALLEY TRUST Co., ST. LOUIS, MO.

REGISTRARS

GUARANTY TRUST Co., NEW YORK, N. Y.
ST. LOUIS UNION TRUST Co., ST. LOUIS, MO.

SALES BRANCHES

ST. LOUIS

Roberts, Johnson & Rand
Peters
Friedman-Shelby
Continental Shoemakers
Pennant Shoe Co.
Jefferson Shoe Co.
Vitality Shoe Co.
Queen Quality Shoe Co.
Dorothy Dodd Shoe Co.
Winthrop Shoe Co.

NEW YORK

Morse & Rogers

BOSTON

Hutchinson-Winch

MANCHESTER, N. H.

Great Northern Shoe Co.
Interstate Shoe Co.

SHOE FACTORIES AND SUBSIDIARY PLANTS

MISSOURI

St. Louis
Hickory St. & Mississippi Ave.
Broadway, Cherokee St. & Lemp Ave.
St. Louis & Jefferson Aves.
Thirteenth & Mullanphy Sts.
Jefferson Ave. & Madison St.
Bland
Cape Girardeau
De Soto
Fulton
Hannibal
Seventh & Collier Sts.
S. W. Cor. Maple Ave. & Collier St.
S. E. Cor. Maple Ave. & Collier St.
Hermann
Higginsville
Jackson
Jefferson City
Kirksville
Marshall
Mexico
Perryville
St. Charles
St. Clair
Sikeston
Sullivan
Sweet Springs
Washington
Windsor

ILLINOIS

Anna
Belleville
Chester
Evansville
Flora
Jerseyville
Mt. Vernon
Olney
Quincy
Springfield
Steeleville

NEW HAMPSHIRE

Claremont
Manchester
Nashua
Newport

KENTUCKY

Paducah

ARKANSAS

Malvern

TANNERIES

ILLINOIS

South Wood River

MISSOURI

St. Louis
Thirteenth & Mullanphy Sts.

NEW HAMPSHIRE

Manchester
Merrimack

NORTH CAROLINA

Morganton
North Wilkesboro

PENNSYLVANIA

Philadelphia

